## FHA PowerSaver Pilot Program

FHA *PowerSaver* is a new mortgage insurance product from the Federal Housing Administration (FHA) that will enable homeowners to make cost effective, energy saving improvements to their homes. Homeowners are increasingly interested in making their homes more energy efficient, according to industry forecasts. But options are limited for financing improvements, especially for the many homeowners who are unable to take out a home equity loan or access an affordable consumer loan. *PowerSaver* will give more homeowners the ability to live in greener homes.

*PowerSaver* will enable homeowners to borrow up to \$25,000 for terms as long as 20 years to make energy improvements of their choice, based on a list of proven measures developed by FHA and the U.S. Department of Energy (DOE). Examples of eligible improvements include insulation, duct sealing, energy efficient doors and windows, energy efficient HVAC systems and water heaters, solar panels and geothermal systems. FHA encourages consumers to utilize an energy audit to determine the most cost effective improvements for their home.

Loan interest rates are expected to be between 5 and 7 percent – comparable to or lower than other options available to most homeowners. *PowerSaver* loans generally will be secured by a mortgage or deed on the home that is subordinate to any existing first mortgage.

*PowerSaver* may make particular sense for homeowners with equity in their home who want to make cost-saving improvements that may also improve the home's value. *PowerSaver* also may appeal to homeowners who have paid off their mortgage, plan to stay in their home and want to realize the benefits of lower energy bills.

*PowerSaver* loans will be backed by the FHA – with significant "skin in the game" from private lenders. Federal mortgage insurance will cover up to 90 percent of the loan amount in the event of default. Lenders will retain the remaining risk on each loan, incentivizing responsible underwriting and lending standards. FHA will provide streamlined insurance claims payment procedures on *PowerSaver* loans. In addition, lenders may be eligible for incentive grant payments from FHA to enhance benefits to borrowers, such as lower interest rates.

*PowerSaver* loans will only be available to homeowners who have the wherewithal and motivation to make energy improvements to their home. Borrowers must have credit scores of at least 660 and their total debt to income ratios cannot exceed 45 percent. The combined loan-to-value ratio for all loans on a home, including the *PowerSaver* loan, cannot exceed 100 percent.

Participating lenders will be required to target markets that have already taken affirmative steps to expand home energy improvements. FHA and DOE will help lenders identify such markets – which exist in many suburban, rural and urban areas across the country. FHA's approval and monitoring procedures will ensure that *PowerSaver* loans are only offered by responsible, qualified lenders.

Read more about lenders participating in FHA's new *PowerSaver* pilot program.